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CIMAREX ENERGY CO

Eureka County - NV

Mike Rebaleati - Recorder

Fee: \$58.00

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DOCUMENT TITLE(S)

RECORDING REQUESTED BY:

**CIMAREX ENERGY CO**

WHEN RECORDED RETURN TO:

**CIMAREX ENERGY CO**

**ATTN: LAND ADMINISTRATION/6<sup>TH</sup> FL**

**15 E 5<sup>TH</sup> ST STE 1000**

**TULSA, OK 74103**

## PAID-UP OIL AND GAS LEASE

This PAID-UP OIL AND GAS LEASE (this "Lease") is made as of the 25th day of March, 2011 (the "Effective Date") between **Newmont USA Limited**, a Delaware corporation, doing business in Nevada as **Newmont Mining Corporation**, as lessor ("Lessor"), and **Prize Energy Resources, L.P.**, a Delaware limited partnership, as lessee ("Lessee").

Lessor, for and in consideration of One Hundred Dollars (\$100.00), the receipt of which is hereby acknowledged, and of the observance and performance of the covenants, stipulations, conditions and agreements hereafter contained to be performed by Lessee **[and subject to the Underlying Agreements described in Exhibit C]**, has granted, demised, leased and let and does hereby grant, demise, lease and let exclusively unto Lessee for the sole and only purpose of exploring, drilling and operating for the production of oil, natural gas, casinghead gas and all other gaseous or liquid hydrocarbon substances and all other mineral substances produced in association therewith, including helium, carbon dioxide, gaseous sulfur compounds, methane produced from coal seams and other commercial gases, but excluding coal or lignite (collectively "Hydrocarbons") certain lands situated in the County of Eureka, State of Nevada, containing 3200.80 gross acres, more or less, and more specifically described as follows (the "Property"):

SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF BY REFERENCE.

This Lease is a paid-up lease and no annual delay rentals are due and payable hereunder. Lessee hereby acknowledges and agrees that, notwithstanding any other provision of this Lease, the rights granted to Lessee under this Lease can be and are no more extensive than Lessor's rights in and to the Property.

**Ancillary Rights.** The rights granted to Lessee hereunder shall include, to the extent that Lessor has the right to grant such rights, the right of ingress and egress on the Property and on lands pooled or unitized therewith, along with such rights as may be reasonably necessary to conduct operations for exploring, developing, producing and marketing Hydrocarbons, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to explore, discover, produce, store, treat and/or transport Hydrocarbons and water produced from the Property or other lands that share central facilities and are jointly operated with the Property for gathering, treating, compression and water disposal. To the extent to which Lessor has the following rights, Lessee shall have the right to use in such operations, free of cost, any oil, gas, water and/or other substances produced on the Property, except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the Property or lands pooled or unitized therewith, the ancillary rights granted herein shall apply to the entire, original Property, notwithstanding any partial release or other partial termination of this Lease; provided, however, that with respect to any real property which is dropped from the Property as a result of such a partial release or partial termination ("Deleted Property"), only such ancillary rights as have been exercised, specifically with respect to such Deleted Property and prior to the effective date of such partial release or partial termination, shall continue thereafter and Lessee shall have no right to exercise any new ancillary rights with respect to such Deleted Property.



**Reservation of Rights.** Lessor expressly reserves the full enjoyment and use of the Property, and all rights with respect to thereto for any and all purposes except those granted and to the extent granted to Lessee hereby. Without limiting the foregoing, Lessor expressly reserves the right to conduct Mining Activities on the Property. The term "Mining Activities" includes all activities undertaken by or on behalf of Lessor or by or on behalf of any lessee, optionee, licensee, joint venture partner, or other party designated by Lessor, which are directed toward or related to prospecting, exploring, developing, mining (including without limitation by open pit, underground, in-situ and solution methods), producing, processing, concentrating, transporting, marketing and selling of any and all minerals and mineral substances of whatever kind and nature other than Hydrocarbons. Without limiting the foregoing, Mining Activities shall include: (i) sampling, mapping, geological, geochemical and geophysical surveys; (ii) permitting and related soil, archeological, biological and similar surveys studies and reports; (iii) drilling, trenching, site preparation, road building and related work; (iv) assaying, and metallurgical, engineering, hydrological and similar studies and reports; (v) permitting, site preparation, construction and use of the land for open pits, shafts, tunnels, dumps, stockpiles, leach pads, tailings impoundments, canals, roads, ditches, railroad and load-out facilities, monitor wells, air monitoring stations, ponds, levees, dams, fences, warehouses, shops, offices and other buildings and facilities, pipelines, telephone and power lines, power transmission stations, communication towers and facilities; (vi) permitting, site preparation, construction and use of the land for crushing, milling, concentrating, transporting, processing and refining facilities, and any and all other related facilities and structures; and (vii) reclamation, remediation, site restoration and monitoring. In the event Lessor has [as of the Effective Date] entered into a lease, joint venture, option, exploration agreement, or similar agreement with any third party, which allows such third party to conduct Mining Activities on any portion of the Property, it shall be deemed for purposes of this Agreement that Mining Activities are being conducted on such portion of the Property for the term of such agreement. The rights granted to Lessee in this Lease are subject to the provisions set forth under "**Restrictions Relating to Primary Use of the Property for Mining Activities**", below.

**Term of Lease.** This Lease shall be in force for a primary term of **five (5) years** from the Effective Date and for as long thereafter as Hydrocarbons are produced in paying quantities from the Property or from lands pooled or unitized therewith or this Lease is otherwise maintained in effect pursuant to the provisions hereof.

**Lease Extension Operations.** If Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the Property or lands pooled or unitized therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of this Lease or the action of any Governmental Authority (as defined under "**Regulation and Delay**," below), then in the event this Lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee commences further operations for reworking an existing well or for drilling an additional well or for otherwise obtaining or restoring production on the Property or lands pooled or unitized therewith within 90 days after completion of operations on such dry hole or within 90 days after such cessation of all production. If, after the primary term, this Lease is not otherwise being maintained in force, but Lessee is then engaged in Operations, as defined below,



this Lease shall remain in force so long as any one or more of such Operations are prosecuted with no interruption of more than 90 consecutive days, and if any such Operations result in the production of Hydrocarbons, as long thereafter as there is production in paying quantities from the Property or lands pooled or unitized therewith. After completion of a well capable of producing in paying quantities hereunder, Lessee shall drill such additional wells on the Property or lands pooled or unitized therewith as a reasonably prudent operator would drill under the same or similar circumstances to (a) develop the Property as to reservoirs then capable of producing in paying quantities on the Property or lands pooled or unitized therewith, or (b) protect the Property from uncompensated drainage by any well or wells located on other lands not pooled or unitized therewith. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein. As used herein, the term "Operations" shall mean any activity conducted on or off the Property that is reasonably calculated to obtain or restore production of Hydrocarbons, including without limitation, (i) drilling or any act preparatory to drilling (such as obtaining permits, surveying a drill site, staking a drill site, building roads, clearing a drill site, or hauling equipment or supplies); (ii) reworking, plugging back, deepening, treating, stimulating, refitting, installing any artificial lift or production-enhancement equipment or technique; (iii) constructing facilities related to the production, treatment, transportation and marketing of substances produced from the lease premises; (iv) contracting for marketing services and sale of Hydrocarbons; and (v) construction of water disposal facilities and the physical movement of water produced from the Property.

**Shut-in Royalty.** If, after the primary term, one or more wells on the Property or lands pooled or unitized therewith are capable of producing Hydrocarbons in paying quantities but such well or wells are either shut in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this Lease. If, for a period of 90 consecutive days, such well or wells are shut in or production therefrom is not sold by Lessee, then Lessee shall pay an aggregate shut-in royalty in an amount equal to \$2.00 per acre included in the Property. The payment shall be made to Lessor on or before the first anniversary date of the Effective Date following the end of such 90-day period and thereafter on or before each anniversary while the well or wells are shut in or production therefrom is not being sold by Lessee; provided that if this Lease is otherwise being maintained by Operations under this Lease, or if production is being sold by Lessee from another well or wells on the Property or lands pooled or unitized therewith, no shut-in royalty shall be due until the first anniversary date of the Effective Date following the end of the 90-day period after the end of the period next following the cessation of such Operations or production, as the case may be. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due but shall not operate to terminate this Lease.

**Royalty Payment.** For all Hydrocarbons that are physically produced from the Property, or lands pooled, unitized or communitized therewith, and sold, Lessor shall receive as its royalty 10% of the sales proceeds actually received by Lessee or, if applicable, its affiliate, as a result of the first sale of the affected production to an unaffiliated party, less this same percentage share of all Post Production Costs and this same percentage share of all production, severance and ad valorem taxes. As used in this Section, "Post Production Costs" shall mean all costs actually incurred by Lessee or its affiliate and all losses of produced volumes whether by use as fuel, line loss, flaring, venting or otherwise from and after the wellhead to the point of sale. These costs



include without limitation, all costs of gathering, marketing, compression, dehydration, transportation, removal of liquid or gaseous substances or impurities from the affected production, and any other treatment or processing required by the first unaffiliated party who purchases the affected production. For royalty calculation purposes, Lessee shall never be required to adjust the sales proceeds to account for the purchaser's costs or charges downstream of the point of sale.

Lessee or its affiliate shall have the right to construct, maintain and operate any facilities providing some or all of the services identified as Post Production Costs. If this occurs, the actual costs of such facilities shall be included in the Post Production Costs as a per barrel or per mcf charge, as appropriate, calculated by spreading the construction, maintenance and operating costs for such facilities over the reasonably estimated total production volumes attributable to the well or wells using such facilities.

If Lessee uses the Hydrocarbons (other than as fuel in connection with the production and sale thereof) in lieu of receiving sale proceeds, the price to be used under this Section shall be based upon arm's-length sale(s) to unaffiliated parties for the applicable month that are obtainable, comparable in terms of quality and quantity, and in closest proximity to the Property. Such comparable arm's-length sales price shall be less any Post Production Costs applicable to the specific arms-length transaction that is utilized.

The royalties due under this Section shall be made within 30 days following the receipt by Lessee of the applicable sales proceeds. Such payments shall be accompanied by a statement summarizing the sales and any Post Production Costs and taxes deducted from the royalty. Records shall be prepared and kept by Lessee as necessary to document the sales of Hydrocarbons removed from the Property. Lessee shall preserve all sales invoices, tickets, records, and computer runs used or obtained hereunder for a minimum of five calendar years after the preparation thereof. All payments to be made by Lessee to Lessor shall be made by mailing (in the case of a check) or delivering currency or Lessee's check to Lessor's address as set forth under "Notices," below.

**Pooling.** Lessee shall have the right but not the obligation to pool all or any part of the Property or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this Lease, either before or after the commencement of drilling or production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the Property, whether or not similar pooling authority exists with respect to such other lands or interests. The creation of a unit by such pooling shall be based on the following criteria (hereinafter called "pooling criteria"): a unit for an oil well (other than a horizontal completion) shall not exceed 40 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any Governmental Authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by Governmental Requirements (as defined under "**Regulation and Delay**," below) or the appropriate Governmental Authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than

100,000 cubic feet per barrel and “gas well” means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on a 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term “horizontal completion” means a well in which the horizontal component of the completion interval in the reservoir exceeds the vertical component in such interval. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the Property shall be treated as if it were production, drilling or reworking operations on that portion of the Property included within such unit, except that the production on which Lessor’s royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this Lease and included in the unit bears to the total acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. Production, drilling, or reworking operations in a unit shall not be treated as if it were production, drilling, or reworking operations on any portion of the Property not included within such unit. In the event a unit is formed hereunder before the unit well is drilled and completed, so that the applicable pooling criteria are not yet known, the unit shall be based on the pooling criteria Lessee expects in good faith to apply upon completion of the well; provided that within a reasonable time after completion of the well, the unit shall be revised if necessary to conform to the pooling criteria that actually exist. Pooling in one or more instances shall not exhaust Lessee’s pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the Governmental Authority having jurisdiction, or to conform to any productive acreage determination made by such Governmental Authority. To revise a unit hereunder, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the Property is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly.

**Unitization.** Lessee shall have the right but not the obligation to commit all or any part of the Property or interest therein to one or more unit plans or agreements for the cooperative development or operation of one or more oil and/or gas reservoirs or portions thereof, if in Lessee’s judgment such plan or agreement will prevent waste and protect correlative rights, and if such plan or agreement is approved by the Governmental Authority having jurisdiction. When such a commitment is made, this Lease shall be subject to the terms and conditions of the unit plan or agreement, including any formula prescribed therein for the allocation of production from a unit. Upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

**Payment Reductions.** If Lessor owns less than the full mineral estate in Hydrocarbons in all or any part of the Property, payment of royalties and shut-in royalties hereunder shall be reduced as follows: royalties and shut-in royalties for any well on any part of the Property or lands pooled therewith shall be reduced to the proportion that Lessor’s interest in the mineral estate in Hydrocarbons in such part of the Property bears to the full mineral estate in Hydrocarbons in such part of the Property. To the extent any royalty or other payment attributable to the mineral



estate covered by this Lease is payable to someone other than Lessor, such royalty or other payment shall be deducted from the corresponding amount otherwise payable to Lessor hereunder.

**Ownership Changes.** The interest of Lessor and the Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone. The rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and permitted assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until 60 days after Lessee has been furnished the original or duly authenticated copies of the documents establishing such change of ownership to the satisfaction of Lessee or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. If at any time two or more persons are entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to such persons either jointly or separately in proportion to the interest which each owns.

**Release of Lease.** Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this Lease as to a full or undivided interest in all or any portion of the Property or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released.

**Regulation and Delay.** Lessee's obligations under this Lease, whether express or implied, shall be subject to, and Lessee shall comply with, all applicable laws, rules, regulations and orders ("Governmental Requirements") of any local, state, federal, or foreign governmental agencies or courts, allegedly sovereign Native entities or organizations, or any officer or official acting under color of governmental authority having jurisdiction ("Governmental Authority"), including those imposing restrictions on the drilling and production of wells, regulating the price or transportation of oil, gas and other substances covered hereby, and relating to health, safety, noise, environmental protection, reclamation, waste disposal, and water and air quality. Lessee shall furnish Lessor with satisfactory evidence of such compliance upon request of Lessor. Without limiting the generality of the foregoing, should any discharge, leakage, spillage, emission, or pollution of any type occur upon or from the Property due to or during Lessee's use and occupancy, and upon the expiration or termination of this Lease, Lessee, at its expense, shall reclaim the Property to standards and regulations equal to or exceeding those that would be applicable if the Property were on land of the United States Bureau of Land Management in the vicinity of the Property. Lessor may post notices of non-liability on the Property to the extent posting is permitted by Governmental Requirements. Lessee shall not disturb or damage any of Lessor's postings.

**Restrictions Relating to Primary Use of the Property for Mining Activities.** Lessee acknowledges that the rights granted to it under this Lease are subordinate to and subject to the continuous and uninterrupted right of Lessor and its lessees, licensees, other assignees or agents to conduct Mining Activities on, in and under the Property. In this regard, Lessor and Lessee agree as follows:



Lessee shall not, without the prior written consent of Lessor, enter upon the surface of, or conduct drilling or other operations on, any portion of the Property which lies within an "Active Permit Area". For purposes hereof, "Active Permit Area" means the area within a federal, state or local permit which has been issued or on which application has been made to support Mining Activities. Lessee agrees to notify Lessor of all drilling and other on the ground activities, and the timing of such activities, except for routine maintenance and production activities, which are planned on the Property, and identify the Property on which they are to occur. Said notification shall be provided at the earliest date that Lessee commits to engaging in such activities, but in no event shall notification of Lessor occur less than 30 calendar days before the initiation of such activities. Lessor shall notify Lessee in writing as soon as reasonably practicable but in any event within 25 days following its receipt of such notice if Lessee may not enter upon or conduct drilling or other operations on all or a portion of the identified Property as a result of this paragraph. Unless Lessee receives timely written notice from the Lessor, Lessee may proceed with the proposed drilling or other activities that were identified in its notice to Lessor, except activities on any portion of the identified Property as to which Lessee can determine from a surface inspection that Mining Activities are occurring.

Lessor shall give Lessee written notice at least 90 days prior to the commencement of Mining Activities which, in Lessor's opinion will adversely impact wells or other operations of Lessee pursuant to this Lease and will immediately initiate discussions with Lessee in accordance with the provisions of this Section. It is expressly agreed by the parties hereto that they will use all reasonable efforts to coordinate their respective activities and operations on, in, and under the Property, subject to the above restriction on activities by Lessee in an Active Permit Area. If, however, Mining Activities of Lessor or its lessees, licensees, other assignees or agents on, in or under the Property damage Lessee's interests in any existing oil and gas wells and related facilities, delay or reduce production from such wells, or materially impede the development of drilling locations containing proved undeveloped reserves, Lessee shall be paid the following amounts by Lessor for such damages and losses:

a. All reasonable costs and expenses actually incurred by Lessee for its own account to suspend, abandon, or sell any oil and gas assets or operations conducted on the Property, and, if Lessee elects in lieu of the compensation set out in the immediately following subparagraph b, the cost to move, relocate or drill any new oil and gas wells. Lessee shall also be paid the fair market value of any assets abandoned or sold due to Mining Activities of Lessor or its lessees, licensees, other assignees or agents. In determining the amount due Lessee, Lessor shall be permitted to deduct from the assets' then current fair market value any credits or payments actually received by Lessee from any third party for any equipment, facilities, or improvements from the Property. The fair market value of such assets shall be determined based on the average of at least two (2) written appraisals or offers received from independent third parties selected by the parties hereto.

b. The then current fair market value of any remaining recoverable proved developed and/or proved undeveloped oil and gas reserves ("Reserves") that are lost or determined to be unrecoverable due to plugging a well or the inability to drill a well on a drilling location containing proved undeveloped reserves. The value of the Reserves will be established based on the then current market price of oil or gas, as the case may be, after taking into account,





among other things, operating costs, gas quality, rate of production fuel usage, and gas gathering, compression, processing, transportation, and marketing charges and expenses. The value of the Reserves shall be determined in accordance with oil and gas industry practices by a professional reservoir engineer with at least ten (10) years of experience in Nevada selected by the parties hereto.

c. If Mining Activities of Lessor or its lessees, licensees, other assignees or agents delay the production and sale of oil or natural gas for thirty (30) consecutive days or more, Lessee shall recover from Lessor an amount that represents the estimated time value of the projected revenues lost due to the delay in such production based on a then current mutually acceptable discount rate taking into consideration the prevailing interest rates, reasonable market forecasts, and normal risks associated with oil and gas operations; provided, however that such amount shall in no event exceed the value as would have been calculated in accordance with the immediately preceding subparagraph b. The projected revenues lost due to the delay in such production shall be determined by an independent petroleum engineer selected by the parties hereto as provided in subparagraph b above.

All payments shall be paid by Lessor to Lessee within thirty (30) days following: (i) Lessor's receipt of an invoice and copies of supporting information from Lessee for costs and expenses actually incurred due to Mining Activities of Lessor or its lessees, licensees, other assignees or agents; or (ii) receipt of a final written report prepared by appraisers or a reservoir engineer as provided in this Section. The above procedure shall be Lessee's sole and exclusive remedy for recovering any claims, damages, or losses caused by Mining Activities of Lessor or its lessees, licensees, other assignees or agents.

**General Operations.** Lessee shall conduct its work and operations on the Property in a good and workmanlike manner in accordance with commonly accepted practices, and with due regard to the development and preservation of the Property as mineral property. Without limiting the generality of the foregoing, (i) Lessee shall keep the Property free of all liens for labor or materials furnished to it in its operations hereunder, (ii) Lessee shall use commercially acceptable methods for extracting materials so as to prevent waste, (iii) Lessee shall make no permanent alterations in watercourses which cross or border the Property without obtaining the prior written consent of the surface owner(s) of the Property ("Surface Owners"), whether Lessor or other persons or entities, and, if required, any Governmental Authority, (iv) Lessee shall keep the Property clean and free of debris and rubbish and comply with all safety rules and regulations applicable to the use of the Property, and (v) Lessee shall, at its sole expense, maintain the Property in good order, condition and repair, and shall permit no hazards or nuisances to exist upon the Property. Notwithstanding the requirement set forth above in subpart (i) through (v) (collectively, "Lessor's Requirements"), if a Governmental Authority imposes requirements which are more stringent than Lessor's Requirements, the requirements imposed by such Governmental Authority shall control.

**Books and Records.** Lessee shall maintain complete and accurate books and records of Lessee's activities on or related to the Property and the production or discovery of Hydrocarbons for a minimum of five calendar years after the production or discovery thereof. Lessor shall have the right to inspect, review, and copy, at all reasonable times, all books and records related to

Lessee's activities on the Property and conduct an audit on Lessee's calculation of royalty. Such inspection shall be at Lessor's expense unless a miscalculation in excess of 10% in Lessor's favor of the account of a periodic royalty payment is revealed by the audit. In such event, Lessee shall reimburse Lessor the reasonable cost of the audit as well as immediately pay the deficiency in royalty.

**Geologic Requirements and Data.** Lessee agrees to furnish to Lessor copies of all logs, test reports, surveys and other all geologic and geophysical data covering or relating to Property resulting from the performance of exploration activities or drilling of any well on the Property, including but not limited to with respect to each well drilled all seismic data, drilling reports, and copies of logs, records of production, and drill stem tests obtained or conducted by Lessee (collectively "Data"). In granting farmout agreements or other rights to third parties, Lessee shall require that such third parties provide to Lessor copies of all Data pertaining to the exploration or drilling activities of such third parties on the Property. Lessor shall not make any disclosure of such Data to third parties without the prior written consent of Lessee, except that Lessor may disclose such Data to its lessees, licenses, other assignees and agents who have agreed in writing to maintain such Data as confidential. Notwithstanding the foregoing, Lessee shall not be required to disclose to Lessor any Data obtained from third parties who have proscribed any further release by Lessee. All of Lessee's proprietary rights to the Data shall remain the property of Lessee until such time as Lessee shall elect to surrender same. All trading rights with respect to Data shall remain the exclusive property of Lessee. Lessee shall require that any person to whom Lessee discloses Data derived from or concerning the Property maintain the confidentiality of the data or information. The duties of non-disclosure and confidentiality shall survive the termination or cancellation of this Agreement.

Lessee will deliver to Lessor, upon written request, copies of reports concerning the Property which it files with governmental authorities.

**Taxes.** Lessee shall file with the proper taxing authorities any renderings or returns required covering its mineral estate under this Lease, its operations on the Property, Hydrocarbons, and all personal property which Lessee may place upon or in the Property. Lessee shall pay all taxes, charges, rates and assessments ("Charges") which may be levied upon, or assessed in any respect upon or against, its mineral estate, its operations on the Property, Hydrocarbons, and all personal property which Lessee may place upon or in the Property, together with all increases in the Charges upon the Property by reason of the discovery or production of Hydrocarbons or on account of any improvements and facilities erected upon or in the Property for as long as this Lease is in effect. Lessor shall promptly submit to Lessee all notices pertaining to such Charges which Lessor may receive. In the event such Charges are included in the general amount of Charges charged Lessor and Lessor pays such Charges, then Lessee shall promptly repay or refund to Lessor the amount of the Charges for which Lessee is obligated under this Section. All payments by Lessor on account of Lessee shall bear interest at the weighted average of prime rates throughout the year (as established by the Bank of America) subject to the application of any usury, commencing 30 days after Notice (as such term is defined in "Notices," below) to Lessee and continuing until paid. Notwithstanding the foregoing, (a) Lessee shall have the right to contest, in the courts or otherwise, in its own name or in the name of Lessor, the validity or amount of any such Charges if it deems the same unlawful, unjust, unequal, or excessive, or to take such steps or proceedings as it may deem necessary to secure a cancellation, reduction,



readjustment, or equalization thereof before it shall be required to pay the same, but in no event shall Lessee permit or allow title to the Property to be lost as the result of nonpayment of any Charges, and (b) Lessee shall not be liable for any Charges levied upon or measured by Lessor's income or Charges applicable to Lessor based upon royalties paid to Lessor under this Lease.

**Lessor Right of Entry.** Lessor or its authorized representative(s) may enter, at its own risk, at all reasonable times, into and upon all parts of the Property for the purposes of making inspections or visual surveys, provided that such inspections or surveys shall not unreasonably interfere with Lessee's operations. Lessee shall, at Lessor's cost, assist Lessor and its representatives in the conduct of any inspections and visual surveys.

**No Warranty of Title.** It is mutually agreed that Lessor does not warrant the title or the quiet possession of the Property, or of said Hydrocarbons, in whole or in part, to Lessee against the claims of any person or persons claiming or purporting to claim the same or any part thereof adversely to Lessor; and Lessor shall in no event be liable to Lessee because of any lack or failure of title in Lessor in the same or the eviction of Lessee therefrom, and it is mutually understood that no covenant of warranty shall be implied from any word or words herein contained. Lessee shall not contest the validity of the title of Lessor to any lands conveyed by patent, grant or other conveyance from the United States Government or any of its agencies to Lessor or its predecessors or any title reserved to Lessor or its predecessors upon the transfer of any interest in such lands by them. Lessor agrees that Lessee at its option may discharge any tax, mortgage or other lien upon the Property, and in the event Lessee does so, it shall be subrogated to said lien with the right to enforce same, and to apply royalties accruing hereunder toward satisfying same.

**Limitation of Lessor Obligations.** Lessee acknowledges that it has inspected the Property and is aware of its present use and condition, accepts the same "AS IS" and acknowledges that the Property is in good and satisfactory condition for the intended purpose at the time of commencement of this Lease. Lessor hereby expressly makes no representation, covenant or warranty relating to the zoning of the Property or the uses permitted thereunder. If required by a zoning authority, Lessee shall prepare and submit, at its own cost and expense, any zoning application or request for zoning variance relating to the Property that may be required for its allowed use and shall concurrently provide Lessor with a copy of such application or request. Lessee shall not agree to any restriction or condition imposed by any applicable zoning authority as a precondition to the grant of its zoning application or request for variance that will in any way affect the use of the Property by Lessor or Surface Owner without Lessor's or Surface Owner's, as applicable, prior written consent.

**Force Majeure.** When drilling, reworking, production or other operations are prevented or delayed by Governmental Requirements, or by inability to obtain necessary governmental permits, access, or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by any other cause not reasonably within Lessee's control, this Lease shall not terminate because of such prevention or delay, and, at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any provisions or implied covenants of this Lease when drilling, production or other operations are so prevented or delayed.



**Breach or Default.** If Lessee defaults in any of its obligations hereunder, Lessor may give Lessee Notice thereof and specify the default or defaults relied on. If Lessee has not begun to cure such default within a reasonable time after receipt of such Notice (which shall not, in any case, be less than 30 days), Lessor may terminate this Lease by Notice to Lessee; provided, however, that if Lessee shall dispute that any default has occurred, the matter shall be determined by litigation in a court of competent jurisdiction, and if the court shall find Lessee in default hereunder, Lessee shall have a reasonable time (which in any case shall not be less than 60 days from receipt by Lessee of notice of entry of final judgment adverse to Lessee) to cure such default, and if so cured, Lessor shall have no right to terminate this Lease by reason of such default.

**Indemnity.** Lessee will indemnify and hold Lessor, its affiliates, and their respective officers, directors, employees, agents, successors and assigns (hereafter collectively referred to as "Indemnified Parties") harmless from any and all claims, demands, suits, losses, damages, and costs (including, without limitation, any attorney fees) incurred by the Indemnified Parties which may be asserted against the Indemnified Parties by reason of or which may arise out of or which may be related to Lessee's activities on the Property (including, without limitation, any claims by any owners or lessees of minerals that Lessee's operations hereunder are either illegal, unauthorized, or constitute an improper interference with their rights), provided, however, that Lessee shall have no obligation to indemnify the Indemnified Parties against any claims, demands, suits, losses, damages, and costs (including, without limitation, any attorney fees) to the extent such result from the negligence of Lessor or its affiliates, or any independent contractor who is directly responsible to Lessor or from any accident which occurs in operation carried on at the direct or under the supervision of Lessor or in accordance with methods and means specified by Lessor or an employee or representative of Lessor.

**Insurance.** Lessee shall comply with the terms and conditions of Exhibit B attached hereto, effecting the required insurance coverages and endorsements with an insurance company licensed to do business in the State where the Property are located. Lessee shall bear the cost of all required insurance. Such insurance shall be maintained to underwrite and assume any liability arising from this Lease.

**Confidentiality.** Except for the recording of this Lease, Lessee shall not disclose to third parties, without the prior written consent of Lessor, any information that relates to the technical, legal, or business affairs or activities of Lessor or its affiliates obtained by or on behalf of Lessee pursuant to or otherwise in connection with this Lease ("Confidential Information"). Notwithstanding the foregoing, the following information shall not be deemed Confidential Information: (a) information that is or lawfully becomes in the public domain, other than as a result of a breach of Lessee's obligations under this Section; (b) information that is furnished to Lessee by a third party having a lawful right to do so; and (c) information that was known to Lessee at the time of Lessor's disclosure thereof. Lessee acknowledges that any Confidential Information obtained by it is an important asset of Lessor and that there is not an adequate remedy at law for a breach by Lessee of this Section and Lessor will suffer irreparable harm as a result of such a breach. Therefore, Lessee agrees that Lessor shall be entitled to equitable relief, including temporary and permanent injunctive relief without the obligation of posting a bond (cash or otherwise), in the



event of actual or threatened unauthorized disclosure or use of any Confidential Information. This Section shall survive the expiration or termination of this Lease.

**Lessee Obligations Upon Termination or Expiration.** Upon the expiration or termination of this Lease, Lessee promptly shall surrender the Property and shall deliver to Lessor or, at Lessor's request, record in the appropriate public records, a written instrument in further evidence of such expiration or termination, in appropriate form for recording.

**Notices.** All notices and other required communications under this Lease ("Notices") shall be in writing, and shall be sent to the addresses set forth below.

If to Lessor: Newmont Mining Corporation  
1700 Lincoln Street, Suite 3600  
Denver, Colorado 80203  
Attn: Land Department  
Fax: 303-837-5851

with a copy to: Newmont Mining Corporation  
555 Fifth Street  
Elko, Nevada 89801  
Attn: Land Department  
Fax: 775-778-2560

If to Lessee: Prize Energy Resources, L.P.  
1700 Lincoln Street, Suite 1800  
Denver, Colorado 80203  
Attn: Land Manager  
Fax: 303-295-3494

A party may change its address by sending Notice to the other party of the new address. Notices shall be given: (i) by personal delivery to the other party; (ii) by facsimile, with a confirmation sent by registered or certified mail, return receipt requested; (iii) by registered or certified mail, return receipt requested; or (iv) by express courier (e.g., DHL, Federal Express, etc.). Notices shall be effective and shall be deemed delivered: (A) if by personal delivery, on the date of the personal delivery; (B) if by facsimile, on the date stated in the electronic confirmation, delivered during normal business hours (8:00 a.m. to 5:00 p.m. at recipient's location), and, if not delivered during normal business hours, on the next business day following delivery; (C) if solely by mail, on the date of receipt as stated on the return receipt; or (D) if by express courier, on the date signed for or rejected as reflected in the courier's delivery log.

**Survival.** Any provision herein which, by its general terms may be reasonably interpreted as being intended to so survive, shall survive the termination or expiration of this Lease, including without limitation all indemnification obligations.

**Limitation of Damages.** Notwithstanding any other provision of this Lease, under no circumstances shall either party be liable to the other for consequential, incidental, punitive, or

exemplary damages (including but not limited to loss of use or loss of profit) arising under or with respect to this Lease, irrespective of the theory upon which the claim is brought.

**Miscellaneous.** All of the agreements and understandings of Lessee and Lessor with reference to the Property are embodied in this Lease, including the Exhibit(s) attached hereto which are incorporated herein by this reference, and this Lease supersedes all prior agreements and understandings between Lessee and Lessor with reference to the Property. This Lease may not be amended except by a written document signed by both parties. This Lease shall be interpreted, construed, and enforced in accordance with, and otherwise governed in all respects by, the laws of the State in which the Property is located, without regard to that State's conflicts of laws provisions. Except as may be otherwise provided in this Lease, the parties hereto shall be entitled to any and all remedies provided by law. The failure of either party to insist upon the strict and prompt performance of any of the terms, covenants, agreements, and conditions herein contained, upon the other party imposed, shall not constitute or be construed as a waiver or relinquishment of such party's right or rights thereafter to enforce any term, covenant, agreement, or condition.

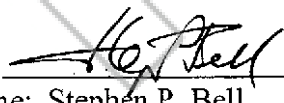
**IN WITNESS WHEREOF**, this Lease has been executed to be effective as of the Effective Date.

**NEWMONT USA LIMITED,  
d/b/a NEWMONT MINING CORPORATION**

**PRIZE ENERGY RESOURCES, L.P.**

By: Prize Operating Company,  
its General Partner

By:   
Name: Jeffrey K. Reeser  
Title: Vice President and Secretary

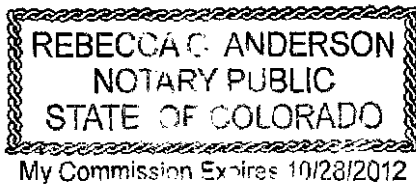
By:   
Name: Stephen P. Bell  
Title: Senior Vice President

STATE OF COLORADO )  
 ) ss.  
COUNTY OF ARAPAHOE )

On April 12, 2011, personally appeared before me, a Notary Public, Jeffrey K. Reeser, Vice President and Secretary of NEWMONT USA LIMITED, a Delaware corporation, personally known or proved to me to be the person whose name is subscribed to the above instrument who acknowledged to me that he executed the above instrument on behalf of said corporation.

*Rebecca C. Anderson*

Notary Public – State of Colorado  
My Commission Expires 10/28/2012

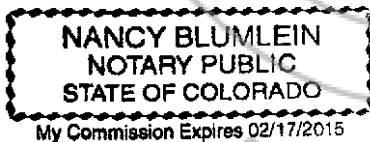


STATE OF COLORADO )  
 ) ss.  
COUNTY OF DENVER )

On April 22, 2011, personally appeared before me, a Notary Public, Stephen P. Bell, Senior Vice President of PRIZE OPERATING COMPANY, a Delaware corporation, the sole general partner of PRIZE ENERGY RESOURCES, L.P., a Delaware limited partnership, on behalf of said corporation, acting as General Partner on behalf of PRIZE ENERGY RESOURCES, L.P.

*Nancy Blumlein*

Notary Public – State of Colorado  
My Commission Expires 2/17/2015



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**EXHIBIT "A"**

ATTACHED TO AND MADE A PART OF THAT CERTAIN  
PAID-UP OIL AND GAS LEASE  
DATED EFFECTIVE MARCH 25, 2011

**SUBJECT PROPERTY**

| County | Twp -Rng  | Sec | Description | Acres   |
|--------|-----------|-----|-------------|---------|
| EUREKA | 34N - 49E | 1   | ALL         | 640.80  |
| EUREKA | 34N - 49E | 12  | ALL         | 640.00  |
| EUREKA | 34N - 49E | 13  | ALL         | 640.00  |
| EUREKA | 34N - 49E | 24  | ALL         | 640.00  |
| EUREKA | 34N - 49E | 25  | ALL         | 640.00  |
|        |           |     | TOTAL       | 3200.80 |



**EXHIBIT "B"**

ATTACHED TO AND MADE A PART OF THAT CERTAIN  
PAID-UP OIL AND GAS LEASE  
DATED EFFECTIVE MARCH 25, 2011

Insurance Requirements

- (A) Lessee shall have in effect the following coverages throughout the term of this Lease and for such additional period of time as required herein.
- (1) Worker's Compensation and Employer's Liability insurance covering all claims by or in respect to the employees of Lessee providing:
- (a) Coverage for the statutory limits of all claims under applicable laws;
  - (b) Employer's Liability Insurance with minimum limits of one million dollars (US \$1,000,000) for all personal injuries and death in one accident; and
  - (c) Voluntary Compensation Insurance covering all employees not subject to applicable Worker's Compensation laws.
- (2) Commercial General Liability and Umbrella Liability insurance with a limit of not less than five million dollars (US \$5,000,000) each occurrence. This coverage must remain in force for at least twenty-four (24) months after the later of the expiration or termination of this Lease or the completion (to the reasonable satisfaction of Lessor) of any work required to be performed hereunder by Lessee on the Property (such work, together with any other work or activities conducted on the Property by or on behalf of Lessee shall be referred to as the "Work"). If this insurance contains a general aggregate limit, it shall apply separately to the Work. This Commercial General Liability insurance shall include:
- (a) coverage for liability arising from premises, operations, independent contractors,

products-completed operations, personal injury, and liability assumed under an insured contract (including the tort liability of another assumed in a business contract) and, where an exposure exists, explosion, collapse, and underground (XCU) coverage;

- (b) Lessor as an additional insured;
  - (c) a provision that such insurance is primary insurance with respect to the interest of Lessor and that any other insurance or self-insurance maintained by Lessor is excess and noncontributory; and
  - (d) an endorsement to provide cross-liability coverage (if it does not contain a separation of insured provision).
- (3) Automobile Liability insurance covering owned, non-owned, and hired vehicles in the amount of not less than one million dollars (US \$1,000,000) per each occurrence.
- (4) Aircraft Liability Insurance. If performance of the Work requires the use of aircraft, Lessee or the lessor of the aircraft shall carry Comprehensive Aircraft Liability Insurance, including Passenger Liability without any seat limitation, of not less than Five Million dollars (US \$5,000,000) combined single limit for bodily injury and property damage, per occurrence. Lessor shall be named as an additional insured on said policy.
- (B) Lessee shall deliver to Lessor no later than 10 days after execution of this Lease, but in any event prior to performing any Work, certificates of insurance for each above-identified insurance policy that contain the following:
- (1) a statement that Lessor is named as an additional insured;
  - (2) a statement that the insurance provider has waived subrogation rights with respect to Lessor; and



(3) a statement that the policy will not be materially changed or canceled without at least 30 days prior written notice to Lessor.

(C) Upon demand, Lessee shall promptly furnish to Lessor copies of the policies of insurance required herein.

(D) The effecting of the insurance set out herein shall not in any way limit, alter, or affect the liability and obligations of Lessee under this Lease, at common law, in equity, by statute, or otherwise.

(E) In the event that Lessee is permitted to subcontract any of the Work, Lessee shall require the types of insurance coverages set forth in this Exhibit (or such coverage as may be acceptable to Lessor) from its subcontractors and shall require and ensure that subcontractors certify insurance coverage to Lessor prior to commencement of any Work.

(F) If Lessee fails to effect or keep in force any of the insurance required by this Lease, Lessor may, but is not obligated to, effect and keep in force any such insurance and pay such premiums as may be necessary for that purpose and may recover as a debt due from Lessee the amount so paid, plus an additional 15% of that amount, or deduct the amount so paid, plus an additional 15% of that amount, from any amount due or becoming due to Lessee.

(G) Lessee shall effect all insurance policies required under this Exhibit with insurance providers that have a Best rating of B+ or better. Should any insurance company which is providing insurance required by this Lease fall below a Best B+ rating, the Lessee shall promptly notify Lessor and, as soon as practicable, effect coverage with another insurance provider that has a Best rating of B+ or better.

**EXHIBIT "C"**

ATTACHED TO AND MADE A PART OF THAT CERTAIN  
PAID-UP OIL AND GAS LEASE  
DATED EFFECTIVE MARCH 25, 2011

*(There are no Underlying Agreements that affect the Property.)*

COPY

